TOCQUEVILLE

United States Asset Management

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Since the beginning of 2025, the U.S. government has taken stakes in five publicly traded companies: U.S. Steel, MP Materials, Lithium Americas, Trilogy Metals, and the once-tech titan, Intel. All “in the interest of national security.”

The last time this type of direct intervention occurred was during the 2008 Great Recession. At that time, financial markets experienced a near-fatal crisis as mark-to-market accounting exposed the fragility of leveraged loans. The U.S. government bailed out banks from the subprime mortgage crisis, backstopped the auto industry with a stake in General Motors, and placed Fannie Mae and Freddie Mac under conservatorship, where they remain today.

Of course, administrations can prioritize government intervention over market solutions in a myriad of ways. The Biden administration, for example, subsidized the green industry, targeted Big Tech via anti-trust policy, chilled mergers and acquisitions (M&A), and crowded out the private sector via maximum stimulus. These tactics have been employed in the past by administrations across the political spectrum.

Nonetheless, direct equity stakes are a much rarer form of government intervention that carry their own set of potential problems. Public companies such as Goldman Sachs, and most recently JP Morgan have announced they too will align with the government in such investments that are deemed “in the best interest of the country.” Whatever merits their proponents might claim, they have the ability to produce a familiar outcome: moral hazard.

Where for Art Thou Manganese?

There is an ongoing arms race between the U.S. and China on two critical fronts: rare earth minerals and microchips.

China is currently in the lead in the rare earth mineral war, reportedly controlling 44 million metric tons of reserves. It’s important to note that the term “rare” doesn’t mean the minerals are scarce; rather, it implies they are rarely found in concentrated deposits, making them more expensive to discover and mine in an economically efficient fashion, even though they are abundant across the planet.

These minerals are key components for technological advances across the Tech, Medtech, Defense, and Clean Energy industries, to name a few. In an attempt to close the gap, the Trump administration has adopted a “if you can’t beat ’em, buy ’em” strategy by taking stakes in MP Materials and Lithium Americas (lithium being a key component in electric vehicle batteries). Could more companies be added to this budding portfolio, effectively a U.S. Rare Earth Minerals Fund?

Inside Intel

The world is awash in global conflict, yet financial markets casually absorb "geopolitical risk." Thanks to the self-sufficiency of onshore oil and gas production, financial markets have largely shrugged off conflicts in the Middle East regarding oil prices. The nearly four-year war in Ukraine certainly didn't help the supply chain or the 2022 inflation picture, but financial markets continue to climb to all-time highs, and the conflict is not currently impacting the cash flows of most U.S. companies.

One major known geopolitical threat remains lurking in the background however: China's interest in taking over Taiwan. Will, could, or should this happen is all up for debate, but if it did, it could have the most crucial impact on financial markets since the oil embargo of the 1970s. Why?

The investments thrown at the quest for more computer power feel like a starved wolf released from its chain. The publicly stated dollar amounts around the growth of Artificial Intelligence (AI) are staggering. Public and private companies will collectively spend close to half a trillion dollars on AI investment by the end of this year, and many analysts believe the world is still in the early innings of this new Industrial Revolution.

However, all roads currently run through Taiwan Semiconductor Manufacturing Company (TSMC), by far the largest chip processor in the world. Many companies design chips—Nvidia, Qualcomm, AMD, etc.—but few actually make them. The playing field was once level, but Intel became "fat and happy" and let the entire race run past them.

The U.S. government has recognized this issue. The Biden administration took a carrot-and-stick approach by offering funding to Intel upon achieving certain milestones; the Trump administration has decided to move in directly to expedite the process of diversifying the world's chip manufacturing away from TSMC.

The New Moral Hazard

The U.S. government's recent strategy of taking direct equity stakes—ostensibly for national security—marks a significant pivot from traditional market intervention. While the immediate goals of securing rare earth minerals and diversifying microchip manufacturing away from geopolitical hotspots are strategically sound, this approach introduces profound risks.

The most concerning outcome is the potential expansion of moral hazard. For decades, investors have been conditioned to rely on the Federal Reserve as the ultimate backstop for the financial system, leading to excessive risk-taking. Now, by directly intervening in select public companies, the government risks adding a second layer of protection. This action may create a perception that certain nationally critical companies are too important to fail, fundamentally changing the risk calculation for both management and private investors.

Furthermore, this strategy raises serious questions about fiscal responsibility and corporate governance. Unlike wealthy Sovereign Wealth Funds, the U.S. is operating from a significant deficit. Who funds this "U.S. Wealth Fund," and what happens when the stocks decline? Direct government involvement could easily transition from a strategic investment to political interference, potentially crowding out private capital and distorting the competitive landscape.

Ultimately, the government must strike a delicate balance. Securing the supply chain for the technologies of the future is vital but doing so while undermining the principles of the free market—and extending the safety net to encompass individual stock performance—could create a costly new precedent for the American economy. The question is whether this strategy will deliver long-term security or simply create a new, deeper form of market dependency.

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